

**ST. MARTIN PARISH**  
**WATER AND SEWER COMMISSION NO.1**  
Stephensville, Louisiana

Financial Report

Year Ended December 31, 2011

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## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Commissioners  
St. Martin Parish Water and Sewer Commission No. 1  
Stephensville, Louisiana

We have audited the accompanying basic financial statements of St. Martin Parish Water and Sewer Commission No. 1 (hereinafter, the "Commission"), a component unit of the Parish of St. Martin, as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission, as of December 31, 2011, and the changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2012, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Commission has not presented management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

***Kolder, Champagne, Slaven & Company, LLC***  
Certified Public Accountants

Morgan City, Louisiana  
June 27, 2012

## **BASIC FINANCIAL STATEMENTS**

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1  
Stephensville, Louisiana

Balance Sheet  
December 31, 2011

ASSETS

Current assets:

Cash and cash equivalents 155,547

Receivables:

Accounts 2,837

Ad valorem taxes, net 281,171

Due from other governmental units 6,252

Prepaid expenses 8,082

Restricted assets:

Cash 341,989

Ad valorem taxes receivable, net 74,199

Total current assets 870,077

Property, plant and equipment:

Land 91,117

Property, plant and equipment, net of accumulated depreciated 2,072,655

Total property, plant and equipment 2,163,772

Other assets:

Deferred bond issue costs 6,449

Deposits 519

Total other assets 6,968

Total assets \$3,040,817

*The accompanying notes are an integral part of this statement.*

## LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	10,492
Accrued liabilities	5,215
Deferred revenue	5,357
Payable from restricted assets:	
Current maturities of long term debt	105,000
Accrued interest	13,128
Deduction from ad valorem taxes	12,761
Refundable deposits	<u>3,922</u>
Total current liabilities	<u>155,875</u>
Long-term debt:	
General obligation bonds payable	380,000
Revenue bonds payable	<u>327,000</u>
Total long-term debt	<u>707,000</u>
Total liabilities	<u>862,875</u>
Net assets:	
Invested in capital assets, net of related debt	1,351,772
Restricted	386,377
Unrestricted	<u>439,793</u>
Total net assets	<u>2,177,942</u>
Total liabilities and net assets	<u>\$3,040,817</u>

*The accompanying notes are an integral part of this statement.*

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1  
Stephensville, Louisiana

Statement of Revenues, Expenses and Changes in Net Assets  
Year Ended December 31, 2011

OPERATING REVENUES	
Ad valorem taxes	271,536
Sewer user fees	161,233
Water maintenance fees	<u>30,602</u>
Total operating revenues	<u>463,371</u>
OPERATING EXPENSES	
Salaries and related benefits	79,893
Supplies and materials	14,364
Other services and charges	110,890
Plant operation	98,750
Depreciation	<u>146,410</u>
Total operating expenses	<u>450,307</u>
Operating income	<u>13,064</u>
NON-OPERATING REVENUES (EXPENSES)	
Ad valorem taxes	71,552
Bond interest and fiscal charges	(42,758)
Bond issue costs	(1,445)
Interest income	466
Loss on asset disposition	(4,389)
Miscellaneous	<u>25,409</u>
Total non-operating revenues (expenses)	<u>48,835</u>
Change in net assets	61,899
NET ASSETS, beginning	<u>2,116,043</u>
NET ASSETS, ending	<u>\$ 2,177,942</u>

*The accompanying notes are an integral part of this statement.*



ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1  
Stephensville, Louisiana

Statement of Cash Flows  
Year Ended December 31, 2011

OPERATING ACTIVITIES

Revenue collected	\$ 190,628
Receipts from operating taxes	249,163
Payments for goods and services	(209,186)
Payments to employees	<u>(79,893)</u>
Net cash provided by operating activities	<u>150,712</u>

NON-CAPITAL FINANCING ACTIVITIES

Receipts from non-operating taxes	<u>92,031</u>
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CAPITAL AND RELATED FINANCING ACTIVITIES

Purchases of capital assets	(29,991)
Interest and fiscal charges paid	(44,397)
Principle paid on bonds	<u>(97,000)</u>
Net cash used for capital and related financing activities	<u>(171,388)</u>

INVESTING ACTIVITIES

Interest received	<u>466</u>
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Net increase in cash	71,821
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Cash and cash equivalents, beginning of period	<u>425,715</u>
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Cash and cash equivalents, end of period	<u>\$ 497,536</u>
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(continued)

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1  
Stephensville, Louisiana

Statement of Cash Flows (continued)  
Year Ended December 31, 2011

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 13,064
Adjustment to reconcile operating loss to net cash provided by operating activities -	
Depreciation	146,410
Changes in assets and liabilities:	
Receivables	(23,580)
Accounts payable	10,192
Accrued liabilities	(731)
Deferred revenue	<u>5,357</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 150,712</u>

*The accompanying notes are an integral part of this statement.*

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1  
Stephensville, Louisiana

Notes to Basic Financial Statements

INTRODUCTION

The St. Martin Parish Water and Sewer Commission No. 1 ("Commission") was created under the provisions of Louisiana Revised Statutes 33:7831 by ordinance issued by the St. Martin Parish Police Jury on March 2, 1993. The Commission is authorized to operate, maintain, improve, extend and/or dispose of all works and facilities for water, sewer, and sewerage treatment or disposal facilities and systems within the boundaries of Ward 6 of St. Martin Parish. The Commission is governed by five to seven board members appointed by the Council of St. Martin Parish Government.

(1) Summary of Significant Accounting Policies

The accompanying financial statements of the Commission have been prepared in conformity with accounting principles generally accepted in the United States (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements and Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

A. Financial Reporting Entity

As the governing authority of the parish, for reporting purposes, the St. Martin Parish Government is the financial reporting entity for St. Martin Parish. The financial reporting entity consists of (a) the primary government (parish council), (b) organizations for which the primary government are financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the St. Martin Parish Government for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability.

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1  
Stephensville, Louisiana

Notes to Basic Financial Statements (continued)

This criteria includes:

- 1) Appointing a voting majority of an organization's governing body, and
  - a) The ability of the Parish to impose its will on that organization and/or
  - b) The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Parish.
- 2) Organizations for which the Parish does not appoint a voting majority but are fiscally dependent on the Parish Government.
- 3) Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the Parish Council appoints the Commission's governing body, the Commission was determined to be a component unit of the St. Martin Parish Government, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the Commission and do not present information on the Parish Government, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

B. Basis of Presentation

The accompanying financial statements of the Commission have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Fund Financial Statements (FFS)

The accounts of the Commission are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The proprietary fund is maintained consistent with legal and managerial requirements.

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1  
Stephensville, Louisiana

Notes to Basic Financial Statements (continued)

Proprietary Funds

Proprietary funds are used to account for ongoing operations and activities that are similar to those often found in the private sector. The measurement focus is based upon determination of net income, financial position, and cash flows. The two types of proprietary funds are enterprise and internal service funds. The Commission's fund type is an enterprise fund.

Enterprise funds

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1  
Stephensville, Louisiana

Notes to Basic Financial Statements (continued)

D. Assets, Liabilities and Equity

Cash and interest-bearing deposits

For balance sheet purposes, cash and interest-bearing deposits include all demand accounts, savings accounts, and certificates of deposits. For the purpose of the cash flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less when purchased.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Unbilled utility service receivables resulting from utility services rendered between the date of meter reading and billing and the end of the month, are recorded at year-end.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the current reporting period are recorded as prepaid items.

Restricted Assets

Certain proceeds of enterprise fund bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported on the balance sheet. Capital assets are capitalized at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Commission maintains a threshold level of \$1,000 for capitalizing assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1  
Stephensville, Louisiana

Notes to Basic Financial Statements (continued)

Depreciation of all exhaustible capital assets is recorded as an expense in the statement of revenues, expenses and changes in net assets, with accumulated depreciation reflected on the balance sheet. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	20 years
Water Plant	40 years
Sewerage Plant	40 years
Office Equipment	5 years
Machinery and Equipment	5-7 years

Capitalized Interest

The Commission capitalizes net interest costs and interest earned as part of the cost of constructing various water and sewer projects when material.

Bad Debts

Uncollectible amounts due from utility services and ad valorem taxes are recognized as bad debts through the establishment of an allowance account at the time information becomes available indicating the uncollectability of the receivable.

Compensated Absences

Employees of the Commission earn from seven and one-half to thirteen and one-half days of vacation and seven and one-half to thirteen and one-half days of sick leave each year, depending on length of service with the Commission. All unused vacation and sick leave shall be carried forward to the succeeding fiscal year.

At December 31, 2011 accumulated vacation and sick leave benefits were immaterial.

Long-term Debt

All long-term debt to be repaid from business-type resources is reported as liabilities in the financial statements. The long-term debt consists primarily of bonds payable.

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1  
Stephensville, Louisiana

Notes to Basic Financial Statements (continued)

Bond Issue Costs

Bond issue costs are being amortized by the straight-line method over the life of the related bond issue.

Equity Classifications

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When both restricted and unrestricted resources are available for use, the Commission’s policy is to use restricted resources first, then unrestricted resources as needed.

E. Revenues and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenses

Expenses are classified by function for business-type activities and are further classified as operating and nonoperating.

Proprietary funds report expenses relating to use of economic resources.



ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1  
Stephensville, Louisiana

Notes to Basic Financial Statements (continued)

F. Budgets and Budgetary Accounting

Enterprise funds are not required under Louisiana Revised Statute 39:1301 et seq to adopt a budget and the Commission has elected to not formally adopt a budget. Accordingly, budgeted figures are not presented in this financial report.

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(2) Cash and Interest-Bearing Deposits

Under state law, the Commission may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Commission may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At December 31, 2011, the Commission has cash and interest-bearing deposits (book balances) totaling \$497,536 as follows:

Cash on hand	\$300
Demand deposits	124,840
Time deposits	<u>372,396</u>
Total	<u>\$497,536</u>

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1  
Stephensville, Louisiana

Notes to Basic Financial Statements (continued)

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at December 31, 2011, are as follows:

Bank balances	<u>\$ 507,180</u>
At December 31, 2011, the deposits are secured as follows:	
Federal deposit insurance	\$ 384,990
Pledged securities	<u>122,190</u>
Total	<u>\$ 507,180</u>

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Commission's deposits may not be recovered or the Commission will not be able to recover collateral securities that are in the possession of an outside party. The Commission does not have a policy to monitor or attempt to reduce exposure to custodial credit risk, however, at December 31, 2011, the Commission's total bank balances were fully insured and collateralized with securities held in the name of the Commission by the pledging institution's agent, the deposits are not exposed to custodial credit risk.

(3) Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Commission in September or October and are actually billed to the taxpayers in November or December. Billed taxes become delinquent on January 1 of the following year.

The following is a summary of authorized and levied ad valorem tax millages:

	Authorized/ Levied <u>Millage</u>
Commission taxes:	
Special Assessment	8.00
District taxes:	
Maintenance-	
St. Martin Parish Sewerage District No. 1	5.00
St. Martin Parish Waterworks District No. 2	5.00
Bond and Interest-	
St. Martin Parish Waterworks District No. 2	4.75

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1  
Stephensville, Louisiana

Notes to Basic Financial Statements (continued)

Levied millages for bond and interest taxes are restricted to payment of principal and interest on general obligations refunding bonds are reported as non-operating revenue on the statement of revenues, expenses and changes in net assets.

Ad valorem taxes for the maintenance and special assessment millages are reported as operating revenue on the statement of revenues, expenses and changes in net assets.

Total taxes of \$357,734 were levied on property having assessed taxable valuations totaling \$15,724,284. At December 31, 2011, ad valorem taxes receivable consisted of the following:

	Non <u>Restricted</u>	<u>Restricted</u>	<u>Total</u>
Ad valorem taxes receivable	286,389	75,576	\$ 361,965
Allowance for uncollectible receivables	<u>(5,218)</u>	<u>(1,377)</u>	<u>(6,595)</u>
Ad valorem taxes receivable, net	<u>\$ 281,171</u>	<u>\$ 74,199</u>	<u>\$ 355,370</u>

(4) Restricted Assets - Proprietary Fund Type (Enterprise Utility Fund)

Restricted assets consisted of the following at December 31, 2011:

	<u>Cash</u>	<u>Taxes Receivable</u>	<u>Total</u>
<u>St. Martin Parish Water and Sewer Commission No. 1</u>			
Revenue Bond and Interest Sinking Fund	\$ 160,807	\$ -	\$ 160,807
Depreciation and Contingency Fund	<u>28,701</u>	<u>-</u>	<u>28,701</u>
	<u>189,508</u>	<u>-</u>	<u>189,508</u>
 <u>St. Martin Parish Waterworks District No. 2</u>			
General Obligation Refunding Bonds	<u>152,481</u>	<u>74,199</u>	<u>226,680</u>
 Total	<u>\$ 341,989</u>	<u>\$ 74,199</u>	<u>\$ 416,188</u>

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1  
Stephensville, Louisiana

Notes to Basic Financial Statements (continued)

(5) Capital Assets

Capital asset activity for the year ended December 31, 2011 was as follows:

	Balance 1/01/11	Additions	Deletions	Balance 12/31/11
Capital assets not being depreciated:				
Land	\$ 91,117	\$ -	\$ -	\$ 91,117
Capital assets being depreciated:				
Buildings	70,677	-	-	70,677
Water system	1,242,928	6,090	8,280	1,240,738
Sewerage plant	4,026,213	23,901	14,065	4,036,049
Office equipment	24,511	-	2,672	21,839
Machinery and equipment	52,880	-	-	52,880
Total capital assets	<u>5,508,326</u>	<u>29,991</u>	<u>25,017</u>	<u>5,513,300</u>
Less accumulated depreciation				
Buildings	42,873	2,588	-	45,461
Water system	898,261	23,718	3,893	918,086
Sewerage plant	2,233,529	113,684	14,065	2,333,148
Office equipment	16,752	1,523	2,671	15,604
Machinery and equipment	32,331	4,898	-	37,229
Total accumulated depreciation	<u>3,223,746</u>	<u>146,411</u>	<u>20,629</u>	<u>3,349,528</u>
Capital assets, net	<u>\$ 2,284,580</u>	<u>\$ (116,420)</u>	<u>\$ 4,388</u>	<u>\$ 2,163,772</u>

Depreciation expense was charged to business-type activities in the amount of \$146,411.

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1  
Stephensville, Louisiana

Notes to Basic Financial Statements (continued)

(6) Deferred Bond Issue Costs

As described in Note 7, the Commission issued General Obligation Bonds, Series 1999, and Sewer Revenue Refunding Bonds, Series 2002 in previous years. Expenses, primarily legal fees, were incurred in connection with the issuance of the bonds. Professional standards require such costs to be reported as deferred charges on the balance sheet and amortized from the date of sale until the maturity of the obligation.

At December 31, 2011, the Commission has unamortized deferred bond issue costs as follows:

General Obligation Bonds, Series 1999	\$ 13,426
Sewer Revenue Refunding Bonds, Series 2002	<u>11,610</u>
	25,036
Amortization recognized	<u>(18,587)</u>
	<u>\$ 6,449</u>

For the year ended December 31, 2011, amortization recognized for the general obligation bonds and the revenue bonds totaled \$671 and \$774, respectively.

(7) Changes in Long-Term Debt

The following is a summary of bond transactions of the Commission for the year ended December 31, 2011:

	<u>1/1/2011</u>	<u>Additions</u>	<u>Payments</u>	<u>12/31/2011</u>	<u>Due Within One Year</u>
General Obligation Bonds	\$ 465,000	\$ -	\$ (40,000)	\$ 425,000	\$ 45,000
Revenue Refunding Bonds	<u>444,000</u>	<u>-</u>	<u>(57,000)</u>	<u>387,000</u>	<u>60,000</u>
Total long-term debt	<u>\$ 909,000</u>	<u>\$ -</u>	<u>\$ (97,000)</u>	<u>\$ 812,000</u>	<u>\$ 105,000</u>

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1  
Stephensville, Louisiana

Notes to Basic Financial Statements (continued)

Bonds payable at December 31, 2011 are comprised of the following individual issues

Sewer Revenue Refunding Bonds:

\$814,000 Sewer Revenue Refunding Bonds, Series 2002, dated 9/01/02, due in annual installments of \$57,750 - \$79,000 through September 1, 2017; interest at 5.0 percent; secured by system revenues. \$ 387,000

General Obligation Bonds:

\$800,000 General Obligation Bonds, Series 1999, dated 3/01/1999, due in annual installments of \$25,000 - \$65,000 through March 1, 2019; interest at 4.75 - 5.50 percent; secured by ad valorem revenues 425,000

Total bonds payable \$ 812,000

The bonds are due as follows:

Year ending December 31,	Principal	Interest	Totals
2012	\$ 105,000	\$ 38,446	\$ 143,446
2013	108,000	33,331	141,331
2014	116,000	27,925	143,925
2015	120,000	22,250	142,250
2016	128,000	16,256	144,256
2017-2019	<u>235,000</u>	<u>16,051</u>	<u>251,051</u>
Totals	<u>\$ 812,000</u>	<u>\$ 154,259</u>	<u>\$ 966,259</u>

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1  
Stephensville, Louisiana

Notes to Basic Financial Statements (continued)

(8) Flow of Funds; Restrictions on Use - System Revenues

Under the terms of the \$814,000 Sewer Revenue Refunding Bonds Series 2002 dated September 1, 2002, all income and revenues of every nature derived from the operation of the system are pledged and dedicated to the retirement of the bonds.

Bond and Interest Sinking Fund

The Commission is required to set aside into a Sewer Revenue Bond and Interest Sinking Fund each month a sum equal to 1/6 of the interest falling due on the next interest payment date plus 1/12 of the principal falling due on the next principal payment date. Funds deposited in this account are available only for the retirement of maturing bonds and interest.

Depreciation and Contingency Fund

The Sewer Depreciation and Contingency Fund was established to care for extraordinary maintenance, repairs, replacements, extensions, and improvements which will either enhance its revenue-producing capacity or provide a higher degree of service and to pay the principal of and the interest on the bonds, including any additional parity bonds issued hereafter in the manner provided by the bond resolution, for the payment of which there is not sufficient money in the sinking fund.

On or before the 20<sup>th</sup> of each month, a sum equal to five percent (5%) of the amount to be paid into the Sinking Fund shall be deposited into the Depreciation and Contingency Fund.

All or any part of the moneys in the sinking or depreciation and contingency funds shall, at the written request of the Issuer, be invested in accordance with the laws of the State of Louisiana maturing in five (5) years or less. Such investments shall, to the extent at any time necessary, be liquidated and the proceeds thereof applied to the purpose for which the funds are herein created. All income derived from such investments shall be deposited in the operating account as income and revenues to the system.

If amounts in the Sinking Fund are insufficient to pay the principal of or interest on bonds payable, it may be necessary to use moneys in the Contingency Fund. However, moneys used from the Contingency Fund must be replaced from the first revenues of the system received which are not necessary for administration, operation and maintenance, or for current principal and interest requirements.

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1  
Stephensville, Louisiana

Notes to Basic Financial Statements (continued)

(9) Employee Retirement

Substantially all employees of the Commission are members of the Parochial Employees' Retirement System of Louisiana. This system is a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. This retirement system provides retirement, disability, and death benefits to plan members and their beneficiaries. Pertinent information relative to this plan follows:

Plan Description - The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the Commission are members of Plan A.

All permanent employees working at least twenty-eight hours per week who are paid wholly or in part from the Commission's funds are eligible to participate in the System. Under Plan A, employees who retire at or after age sixty with at least ten years of creditable service, at or after age fifty-five with at least twenty-five years of creditable service, or at any age with at least thirty years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to three per cent of their final-average salary for each year of creditable service. However, for those employees who were members of the supplemental plan only before January 1, 1980, the benefit is equal to one per cent of final average salary plus twenty-four dollars for each year of supplemental-plan-only service earned before January 1, 1980. Final average salary is the employee's average salary over the thirty-six consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

Funding Policy - Under Plan A, members are required by state statute to contribute 9.5% of their annual covered salary and the Commission is required to contribute at an actuarially determined rate. The current rate is 15.75% of annual covered payroll. Contributions to the System also include one-fourth of 1% (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Commission are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Commission's contributions to the System under Plan A for the years ending December 31, 2011, 2010, and 2009, were \$7,288, \$6,178, and \$3,797, respectively, equal to the required contributions for each year.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Parochial Employees' Retirement System, Post Office Box 14619, Baton Rouge, Louisiana, 70898-4619, or by calling (225) 928-1361.



ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1  
Stephensville, Louisiana

Notes to Basic Financial Statements (continued)

(10) Contingencies

The Commission operates a sewerage plant, which is regulated by the Department of Environmental Quality and the Environmental Protection Agency. In the opinion of the Board of Commissioners, all applicable regulations have received full compliance, however, due to the complexity of the regulations, differing interpretations of the regulations by DEQ and/or the EPA may result in instances of noncompliance.

(11) Compensation Paid to Board Members

The schedule of compensation paid to the board of commissioners is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Louisiana Revised Statute 33:7833 limits compensation paid to board members, with the approval of the board, for per diem and travel allowance to an amount not to exceed \$250 per month.

Board members:

Eroy Acosta	\$ 3,000
Jimmy Bailey	3,000
Shelby Daigle	3,000
Stanley Daigle	3,000
Jesse Doiron	3,000
Total	<u>\$ 15,000</u>

(12) Subsequent Events

On April 21, 2012, the Commission held an election to authorize the issuance of not exceeding \$1,100,000 of General Obligation Bonds for a period not to exceed 20 years for the purpose of paying the cost of constructing, equipping and acquiring extensions and improvements to the waterworks system of the Commission, and acquiring the necessary equipment and furnishings therefore, and refunding outstanding General Obligation Bonds.

(13) New Accounting Pronouncement

In December 2010, the Governmental Accounting Standards Board (GASB) approved Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The statement specifically identifies and consolidates the accounting and financial reporting provisions that apply to the governmental and business type activities and proprietary funds of state and local governments. In June 2011, the Governmental Accounting Standards Board (GASB) approved Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. The statement changes how governments will organize their statements of financial position (such as the current government-wide statement of net assets and the governmental funds balance sheet). Under this standard, financial statements will include deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities, and will report net position instead of net assets. The provisions of GASB Nos. 62 and 63 must be implemented by the Commission for the year ending December 31, 2012. The effect of implementation on the Commission's financial statements has not yet been determined.

**INTERNAL CONTROL, COMPLIANCE, AND OTHER MATTERS**

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 Victor R. Slaven, CPA\*  
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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Board of Commissioners  
 St. Martin Parish Water and Sewer Commission No. 1  
 Stevensville, Louisiana

We have audited the financial statements of St. Martin Parish Water and Sewer Commission No. 1 (hereinafter, the "Commission"), as of and for the year ended December 31, 2011, and have issued our report thereon dated June 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

Management of the Commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of audit results and findings, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of audit results and findings as item 2011-1 to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard*.

The Commission's response to the finding identified in our audit is described in the accompanying corrective action plan for current year findings. We did not audit the Commission's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Commissioners, management and others within the organization, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of this report may be limited under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document in accordance with Louisiana Revised Statute 44:6.

***Kolder, Champagne, Slaven & Company, LLC***  
Certified Public Accountants

Morgan City, Louisiana  
June 27, 2012

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1  
Stephensville, Louisiana

Schedule of Audit Results and Findings  
Year Ended December 31, 2011

Part I. Summary of Auditor's Results:

The auditor's report expresses an unqualified opinion on the financial statements.

A material weakness in internal control was disclosed by the audit of the financial statements and is shown as item 2011-1.

No instances of noncompliance required to be reported in accordance with *Governmental Auditing Standards* was disclosed by the audit of the financial statements.

A management letter was not issued.

Part II. Findings reported in accordance with *Governmental Auditing Standards*:

A. Internal Control –

2011-1 - Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

CRITERIA: Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The Commission's internal control over financial reporting includes those policies and procedures that pertain to the Commission's ability to record, process, summarize, and report financial data consistent with the assertions embodied in financial statements.

CAUSE: The cause of the conditions is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1  
Stephensville, Louisiana

Schedule of Audit Results and Findings (continued)  
Year Ended December 31, 2011

B. Internal Control –

There were no items reported in this section.

C. OMB A-133 –

This section was not applicable.

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1  
Stephensville, Louisiana

Summary Schedule of Prior Audit Findings  
Year Ended December 31, 2011

A. Internal Control –

2010-1 – Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

RECOMMENDATION: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

CURRENT STATUS: See schedule of audit results and findings item 2011-1.

B Compliance –

There were no findings previously reported under this section.

C. OMB A-133 –

This section was not applicable.

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1  
Stephensville, Louisiana

Corrective Action Plan for Current Year Findings  
Year Ended December 31, 2011

2011-1 – Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

MANAGEMENT'S RESPONSE: not considered necessary